

**IRS****News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 2/15/02****Release No: IR-2002-20****IRS ISSUES GUIDANCE ON INCLUDING IMPACT FEES IN BASIS OF BUILDING**

WASHINGTON – The Internal Revenue Service today issued guidance that concludes that impact fees paid by real property developers are indirect costs that should be capitalized and added to the basis of buildings constructed. As such, these fees can be included by low-income housing developers and operators in the computation of the low-income housing credit.

The guidance resulted from the Industry Issue Resolution (IIR) pilot program. Over the past several months Treasury Department and IRS representatives have been working to develop a clear resolution position on this issue, which was submitted for IIR consideration by the Real Estate Roundtable.

This is the fifth issue resolved of the seven selected for the IIR pilot program. IRS expects to have resolution positions announced soon on the two remaining issues. Those two issues involve the determination of recoverable oil and gas reserves for cost depletion purposes, and the tax treatment of fees paid by employers to employees for rental of equipment owned by the employees.

Revenue Ruling 2002-9 contains the new impact fee guidance. It will be in Internal Revenue Bulletin 2002-10, dated Mar. 11, 2002, and should be available at the IRS Web site, [www.irs.gov](http://www.irs.gov), over this weekend. Information on the IIR Pilot Program may be found in Notice 2000-65 in Internal Revenue Bulletin 2000-52, also available at the Web site.

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